

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
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In the Matter of an Extended Area Service
Petition from the Maple Lake exchange to the
Metropolitan Flat Rate Calling Area

ISSUE DATE: January 18, 2002

DOCKET NO. P-404, 407, 405, 520, 413, 426,
427, 421, 430/CP-96-699

ORDER SETTING EAS RATE ADDITIVES,
REQUIRING POLLING AND REQUIRING
REVISED RATES FROM THE MCA
COMPANIES

PROCEDURAL HISTORY

On June 18, 1996, subscribers in the Maple Lake telephone exchange filed a petition for extended area service (EAS) to the Minneapolis/St. Paul Metropolitan Calling Area (MCA). Lakedale Telephone Company (Lakedale) serves the Maple Lake exchange.

On August 5, 1996, Lakedale submitted a traffic study for the proposed EAS route.

On October 14, 1996, the Commission found that the Maple Lake petition met the Commission's adjacency and traffic volume criteria and issued its ORDER FINDING ADJACENCY AND TRAFFIC VOLUME AND REQUIRING COST STUDIES AND PROPOSED RATES.

Between February 13 and November 14, 1997, the affected telephone companies submitted cost studies and proposed rates.

On December 30, 1998, the Commission issued its ORDER REQUIRING REVISED COST STUDIES AND PROPOSED RATES. In that Order the Commission directed the affected telephone companies to refile cost studies and proposed rates for the Maple Lake EAS route. The Commission would then poll Maple Lake subscribers to determine if they want EAS at the proposed rates.

During 2000 and early 2001 Scott-Rice Telephone Company and Bridgewater Telephone Company filed revised revenue requirement studies and Sprint Minnesota and U S WEST Communications filed revised rate proposals. The DOC filed comments on the revenue requirement studies filed by the affected telephone companies. Reply comments were filed by Sprint Minnesota, Lakedale Telephone Company, Citizens Telecommunications of Minnesota, Qwest Corporation, Frontier Communications and the Minnesota Independent Coalition¹.

On August 25, 2000, Lakedale filed its rate proposal.

On February 2, 2001, the DOC filed responsive comments.

On February 27, 2001, Lakedale proposed an alternative plan for recovery of lost access revenue by creating a new rate group consisting of all of its exchanges with EAS to the MCA (Rate Rebalancing Proposal). Lakedale filed calculations supporting its Rebalancing Proposal on April 9, 2001. No parties have commented on Lakedale's Rate Rebalancing Proposal.

On October 24, 2001, the Commission issued its ORDER APPROVING RATE REDUCTIONS AND ENDING TRANSFER PAYMENTS.² This Order eliminated transfer payments in regard to the EAS routes linking the Montrose and Waverly Exchanges to the MCA. These two exchanges are served by Lakedale.

On January 2, 2002, the Commission was notified that the rates filed by the companies in the MCA³ may include transfer payments that should have been eliminated.

Although the cost studies and proposed rates ordered on December 30, 1998 were duly filed by the affected telephone companies, the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law.

¹ Bridge Water Telephone company, Eckles Telephone Company, Sherburne County Rural Telephone Companies, Scott Rice Telephone Company.

² Order in Docket No. P-413/M-01-500, *In the Matter of a Petition to Eliminate Transfer Payments from the Existing EAS Rates in the Montrose and Waverly Exchanges*, issued October 24, 2001.

³ The MCA companies include Sprint Minnesota Inc., GTE Minnesota, US West Communications, Frontier Communications, Sherburne County Rural Telephone Company, Eckles Telephone Company, Bridge Water Telephone Company and Scott-Rice Telephone Company.

With these issues largely settled, the Commission met on January 3, 2002 to again consider the Maple Lake EAS petition.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS and the procedures for determining EAS costs were set by Commission Orders (the EAS Orders) following an industry-wide fact-finding and policymaking proceeding.⁴ Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must poll subscribers in the petitioning exchange on whether they want EAS at the rates adopted by the Commission.
- (5) If 50% of the subscribers responding to the poll vote yes, the EAS route must be installed.

In this case the Commission has determined that the petitioning exchange meets the threshold adjacency and traffic volume requirements. What remains is to determine the cost of the proposed routes, to set rates reflecting those costs, and to poll subscribers in the petitioning exchange.

⁴ In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

II. Lakedale's Position

A. Background

Lakedale is a small company with only six exchanges. Of the six, Montrose and Waverly already have EAS to the MCA and Maple Lake's EAS request is the subject of this Order.

During the period between November 1998 and May 2001, when the Commission issued a series of Orders addressing new issues regarding adapting EAS to the competitive telecommunications market, Lakedale filed proposed EAS additives for the Maple Lake exchange on August 25, 2000 and filed its Rate Rebalancing Proposal on February 27, 2001. Each will be presented below.

B. Lakedale's Rate Proposal Eliminating Transfer Payments and Retaining Facilities Costs and Lost Access Revenues

In its August 25, 2000 filing Lakedale indicated that the EAS additives for the Maple Lake Exchange would be the following:

Class of Service	Monthly EAS rate Additives
Business and Residential	\$14.54
Coin Line	\$21.81
Lower Cost Alternative	\$7.35 & \$.14/minute

C. Rate Rebalancing Proposal

Lakedale proposed that it create a new rate group consisting of the Montrose, Waverly and Maple Lake exchanges, the only Lakedale exchanges with EAS to the MCA (assuming the Maple Lake EAS to the MCA is implemented). Lakedale would equalize the cost of EAS between these three exchanges. The tables below set forth the proposed EAS rates, including facilities costs and lost access revenues for each of the three exchanges. The three other Lakedale exchanges without EAS to the MCA would see no changes to their rates.

Existing and Proposed Residential and Business Rates

Exchange	Existing Local Rate	Existing EAS Additive (Per 10/24/01 Order 01-500)⁵	Proposed Local Rate	Proposed EAS Additive
Montrose	\$10.50	\$35.66	\$10.50	\$15.63
Waverly	\$10.50	\$28.28	\$10.50	\$15.63
Maple Lake	\$10.50	\$0.00	\$10.50	\$15.63

Existing and Proposed Local Measured Service Rates

Exchange	Existing Measured Service Rate	Existing Measured Rate EAS Additive and Per Minute Rate	Proposed Measured Service Rate	Proposed Measured Rate EAS Additive and Per Minute Rate
Montrose	\$7.04	\$7.35 & \$0.14/min.	\$7.04	\$2.92 & \$0.08/min.
Waverly	\$7.04	\$7.35 & \$0.14/min.	\$7.04	\$2.92 & \$0.08/min.
Maple Lake	\$7.04	\$0.00	\$7.04	\$2.92 & \$0.08/min.

Existing and Proposed Public Payphone Line Rates

Exchange	Existing Local Rate	Existing EAS Additive	Proposed Local Rate	Proposed EAS Additive
Montrose	\$15.75	\$53.49	\$15.75	\$23.45
Waverly	\$15.75	\$42.42	\$15.75	\$23.45
Maple Lake	\$15.75	\$0.00	\$15.75	\$23.45

⁵ ORDER APPROVING RATE REDUCTIONS AND ENDING TRANSFER PAYMENTS, Docket No. P-413/M-01-500, October 24, 2001.

III. Commission Action on Lakedale's Proposals

The final cost studies presented by Lakedale pass muster under the standard set in the EAS Orders. They reflect actual, specific costs and sound accounting methods and will be accepted.

The Commission finds Lakedale's Rate Rebalancing Proposal reasonable and will approve it. The creation of a metropolitan rate group, consisting of the three exchanges with EAS routes to the MCA, equalizes the EAS rates to the MCA for all three exchanges, without excessively burdening any one exchange. It eliminates a large disparity in EAS rates to the MCA between Maple Lake and the adjacent exchanges of Montrose and Waverly and is a positive change in the company's rate structure. All Lakedale customers with EAS to the MCA would have similar EAS rates.

Further, the Rate Rebalancing Proposal provides relatively low usage rates for the lower cost alternative thus making this a viable option for end users.

IV. Polling Ordered

The last step in the EAS decision-making process is to poll subscribers in the petitioning exchange to determine if the majority favors installing EAS at the rates set by the Commission. The Commission will proceed to polling. It will also direct Lakedale, the carrier serving the petitioning exchange, to provide the information and cooperation required for a fair and efficient poll.

Finally, the Commission will require that both the polling materials sent to subscribers and any tariffs ultimately filed itemize separately the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues and lost toll contribution. This information may be helpful in developing and implementing a universal service funding mechanism or in future rate re-balancing initiatives. To ease administration and prevent confusion, however, monthly bills should show only the total EAS rate.

The Commission will so order.

V. The MCA Companies' Rate Additives

The rates filed by the companies in the MCA may include transfer payments, which have been found by the Commission to be so anti-competitive in their effects that they cannot be permitted in a competitive environment.⁶ (The Exception is School District EAS cases, where the Legislature

⁶ In the Matter of a Petition for Extended Area Service from the Almelund Exchange to the Metropolitan Calling Area, Docket No. P-407, 405, 413, 520, 426, 427, 430, 421/CP-97-1237, ORDER AFTER RECONSIDERATION (November 6, 2000), *reversed in part on the Commission's own motion as to other issues*; In the Matter of a Petition for Extended Area

has required inter-exchange cost allocation to further overriding public policy goals.) For this reason, the Commission will require the companies in the MCA to file, within 30 days of the date of this Order, revised rates that do not include transfer payments.

ORDER

1. Lakedale's Rate Rebalancing Proposal, as described herein, for Maple Lake, Montrose and Waverly is approved, contingent upon the implementation of the Maple Lake to MCA EAS route.
2. Subscribers in the Maple Lake exchange shall be polled on whether they favor installing the EAS routes proposed at the rates herein, which are shown below:

Service	Local Rate	EAS Additive	Total
Residential and Business	\$10.50	\$15.63	\$26.13
Local Measured Service	\$7.04	\$2.92 & 8¢/minute	\$9.96 & 8¢/minute
Public Payphone	\$15.75	\$23.45	\$39.20

3. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs and which portion will recover lost access revenues and toll contribution. The EAS rate additives shall not be itemized on customers' bills.
4. Lakedale shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;
 - (b) providing proof of the accuracy of customer lists as requested by Commission staff.

Service from the Osakis Exchange to the Alexandria Exchange, Docket No. 552, 430/CP-98-1148, ORDER ESTABLISHING RATE ADDITIVES AND REQUIRING FURTHER FILINGS (November 6, 2000), *reversed on reconsideration as to other issues*.

5. Sprint Minnesota Inc., GTE Minnesota, US West Communications, Frontier Communications, Sherburne County Rural Telephone Company, Eckles Telephone Company, Bridge Water Telephone Company and Scott-Rice Telephone Company shall file revised rates within 30 days of the date of this Order. Parties will have 30 days to comment with a 30 day reply period.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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